

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2008-4-G

IN RE:

Annual Review of Purchased Gas)	
Adjustment and Gas Purchasing)	SETTLEMENT AGREEMENT
Policies of Piedmont Natural Gas)	
Company, Incorporated)	

This Settlement Agreement is made by and among the Office of Regulatory Staff of South Carolina ("ORS") and Piedmont Natural Gas Company, Inc. ("PNG") (collectively referred to as the "Parties" or sometimes individually as a "Party").

WHEREAS, by the Public Service Commission of South Carolina ("Commission") Order No. 88-294, dated April 6, 1988, the Commission instituted an annual review of PNG's Purchased Gas Adjustment and Gas Purchasing Policies. Additionally, in Order No. 2002-223, dated March 26, 2002 in Docket No. 2001-410-G, the Commission required PNG to file regular reports on the status of the hedging program and the results of its hedging activities. In the above-captioned proceeding the review period is April 1, 2007 through March 31, 2008 ("Review Period");

WHEREAS, the Parties to this Settlement Agreement are the only parties of record in the above-captioned docket. There are no other parties of record in the above-captioned proceeding;

WHEREAS, the Parties have engaged in discussions to determine if a settlement of this proceeding would be in their best interest;

WHEREAS, following those discussions the Parties have each determined that their interest and the public interest would be best served by settling the above-captioned case under the terms and conditions set forth below:

1. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony of Keith P. Maust, and the direct testimony and exhibits of PNG witnesses William C. Williams and Robert L. Thornton, without objection, change, amendment, or cross-examination by the Parties. PNG will present its witnesses at the hearing.

2. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony and exhibits of ORS witness Daniel F. Sullivan and the pre-filed direct testimony and exhibits and settlement testimony of ORS witness Carey M. Flynt, without objection, change, amendment, or cross-examination by the Parties. ORS will present its witnesses at the hearing.

3. The Parties further agree that with the stipulated testimony of record and with the agreement of the Parties to the review period activity and end-of-period account balances reflected in the testimony of ORS witness Carey M. Flynt and the testimony and exhibits of ORS witness Daniel F. Sullivan, the hearing record then before the Commission will conclusively demonstrate the following: (i) PNG's gas purchasing policies and practices during the Review Period were reasonable and prudent, (ii) PNG properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period, (iii) PNG managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders; and (iv) the end-of-period balances for PNG's hedging and deferred gas costs accounts are those reflected in the testimony of ORS witness Daniel F. Sullivan.

4. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

5. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair their arguments or positions in future proceedings. If the Commission should decline to approve the agreement in its entirety, then any Party desiring to do so may withdraw from the agreement without penalty.

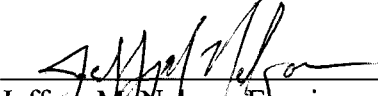
6. This agreement shall be interpreted according to South Carolina law.

7. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

[SIGNATURE PAGES FOLLOW]

WE AGREE:

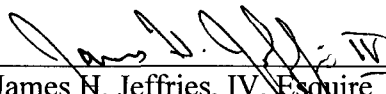
Representing and binding the Office of Regulatory Staff



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WE AGREE:

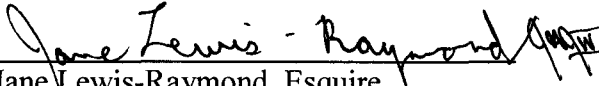
Representing and binding Piedmont Natural Gas Company, Inc.



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100 North Tryon Street, Ste. 4700
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WE AGREE:

Representing and binding Piedmont Natural Gas Company, Inc.



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THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
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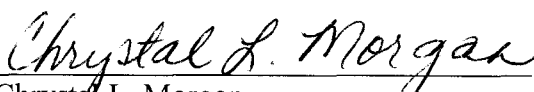
IN RE:)	
Annual Review of Purchased Gas Adjustment)	CERTIFICATE OF
and Gas Purchasing Policies of Piedmont)	SERVICE
Natural Gas Company, Incorporated)	

This is to certify that I, Chrystal L. Morgan, an employee with the Office of Regulatory Staff, have this date served one (1) copy of the **SETTLEMENT AGREEMENT** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

James H. Jeffries IV, Esquire
Moore & Van Allen PLLC
Bank of America Corporate Center
100 North Tryon Street, Suite 4700
Charlotte, NC, 28202-4003

David Carpenter, Director of Rates
Piedmont Natural Gas Company
P.O. Box 33068
Charlotte, NC, 28233

Tom Skains, Chairman, President, and CEO
Piedmont Natural Gas Company
Post Office Box 33068
Charlotte, NC, 28233


Chrystal L. Morgan

July 15, 2008
Columbia, South Carolina